

The Development of Foreign Accounting Firms In Indonesia, Its Determinants And Consequencies

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Abstract: *The purpose of the research is to explore and to describe the development of foreign public accountant firm in Indonesia and its determinants and consequences. The research applied qualitatively method. Data collection techniques used are triangulation to obtain adequate, comprehensive and holistic information. Data were analyzed by using content analysis technique. Validation and reliabilty were tested by increasing the frequency and time of observation. Historically the existence of KAPA / OAA foreign accounting firm in Indonesia has existed since colonial and imperialism until now (2017). Even the Dutch accounting firms (ADB, 2003, Sukoharsono, 1995 and Soemarso, 1995) existed beyond the period of Independence of the Republic of Indonesia and ended in the reign of the Old Order regime (Orla). Foreign accounting firms began operating in Indonesia at the beginning of the New Order (Orba) government with an open economic policy in which domestic capital investment (PMA) and foreign investment regulations (PMA) were issued. The cooperation is regulated through the Decree of the Minister of Finance until the issuance of Law no. 5/2011 on Public Accountants. The development of foreign public accountant firm in the last decade has grown rapidly. The existence and development of KAPA / OAA in general and Big Four in particular in Indonesia is caused by various factors. The early periods of Indonesian independence history of the existence of foreign accounting firms were caused by the legacy of Dutch colonialism and imperialism (Irmawan, 2010; ADB, 2003; and Sukoharsono, 1995). In its development its existence is driven by investment and capital market factors (Tuanakotta, 2007) as Gillis finds (2010) on the Big Four hegemony in China. The existence of cooperation gives the implications or consequences on the accounting profession which includes the transfer of science and technology audit, improvement of audit quality, increase of income or welfare and improvement in professional institutional field. Study the role of the state not restrict to one existence of the ministry. Inequity of the income in assurance industry in Indonesia caused by many factors and actors including state owned enterprise which give and priority the foreign public accountant the job. And the limitation of the research is a few source of data which needed, the next research allow to add the source of data. The research implies to all stakeholders of profession in improving and strengthening the position and quality of member or regulation to face the global competition in the market. For the researcher in this topic to come need to close the limitations that exist in this research. The research awakens all stakeholders to increase and strenght the domestic public accountant to ready to compet in rapid grow of global professional market.*

Keyword: *foreign public accountant firm*

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I. Introduction

The future of the public accounting profession in Indonesia is alleged to contain uncertainties and threats, even in Purba's (2015: 5-6) writings the conditions are currently in 'crisis'. According to him, the causes of the condition include Indonesian public accountants lagging behind in terms of quantity and quality compared to their ASEAN counterparts; insurance services are now not as attractive as they used to be; and full of risk especially with the existence of criminal sanctions. And from the search of data on earnings performance also found the alleged cause of the revenue structure that gap between the Public Accounting Firm (KAP) on the market of professional services of public accountants. The huge income gap issue occurs between the Big Four affiliated KAP and the other KAPs (Kemenkeu RI, 2015). The problem of income inequality is also experienced by many countries including large and developed countries such as Britain, the United States, Australia and China (Big Four, 2015). The background of the condition is overwhelming, and is generally influenced by the capital requirements of international institutions and capital markets and the internationalization of enterprises as well as several other Big Four advantages, such as quality perceptions of service, economies of scale and others (Gillis, 2011; British Parliament of 2010; Arnold, 2005; and OECD, 2003a). Other studies reveal the influence of globalization (Irmawan, 2010) or colonialism, imperialism or capitalist expansion (Bousebaa, 2015; Ismail and Kamal Bashar, 2012; and Sauddaby et al., 2007). The income gap above can be seen from the income

data for the year 2013 amounting to Rp. 2,476,789,529,025.00, 65 percent of which is accounted for by the Big Four, and the rest are accounted for by other KAPs, either in collaboration with KAPA / OAA (39 units) and KAPA / OAA's non-cooperating KAPA 334 units (MoF RI, 2015: 34). KAP that works with KAPA as much as 3 percent, KAP that cooperates with OAA 10 percent, and the rest do not cooperate with KAPA / OAA (Ministry of Finance RI, 2015: 24). In 2011, the corporate accounting group recorded RP 1.506 trillion or 65.50 percent, up from Rp 1.4 trillion in 2010 (MoF/PPAJ, Friday edition, 4/01/2013). The irony is that the huge Big Four's earnings come from 15 percent (or 4,529) of clients totaling 30,536 (MoF RI, 2015: 32). Responsible for the KAP year report from PPAJP (now P2PK), Sriwahyuni, adds the number of AP clients in 2011 as much as 22,402 down 609 from the year 2010 with the number of clients as much as 23,011. By comparison the number of Big Four and Non Big Four clients is 3,399 (15.17 percent) and 19,003 (84.83 percent) (Ministry of Finance, Friday edition, 04/01/2013).

In addition to the market, its potential at this time and in the future will be captured by the Big Four. Data on the potential of public accounting profession services market is indicated in the December 2014 edition of "Accounting Indonesia" which estimates the number of organizations requiring the services of a public accountant to show a figure of 400 thousand. Other data say, beyond the number of existing businesses and in addition to the global corporate sector, there are about 226,780 organizations that require the opinion of "unqualified" accountants (Primary, 2014). The potential will be greater if most units or Indonesian entities are required to use the services of the public accounting profession. According to BPS (2014) the number of business units in Indonesia in 2013 is 56,007,862, with the addition of 1 (one) million units. Financial performance KAP that works with KAPA / OAA that tend to positive it attracts many KAP who want to cooperate with KAPA / OAA. Even in the last decade this cooperation has grown by more than fifty percent in the last decade, or 40 units in 2007 has jumped to 62 units by 2016 (Tuanakotta, 2007: 340 and MoF RI, 2016). And that cooperation will increase in line with stable economic performance, finance, and politics tend to improve. Above description motivated the research to describe the development of foreign public accountants and its factors and implication to know and to increase and strengthen the domestic public accountants to face the global competition.

II. Review Literature

The term foreign public accountant office is officially found only in the legal basis of the public accountant applicable in Indonesia, namely Public Accountant Law No. 5/2011. In the Act there are two forms of foreign accounting firms, namely "Foreign Public Accounting Firm (KAPA)" and "Foreign Audit Organization (OAA)". PMK RI No. 17 of 2008 in Article 1 paragraph 5, the rules that apply before the issuance of Law no. 5/2011, states, "Foreign Public Accounting Firm or abbreviated as KAPA is a professional service company overseas which has permission from the authority of the country concerned to conduct the least business activity in the field of general audit of financial statements." In Article 6 PMK means OAA: "Foreign Auditing Organization or abbreviated as OAA is an overseas organization established pursuant to the laws and regulations of the country concerned, whose members consist of a professional service business entity that carries out business activities in the least field of general audit of financial statements." The meaning of KAPA / OAA is also mentioned in Law no. 5/2011 Article 1, paragraph 7 and verse 8. KAPA or in English translated "foreign public accounting firm" has many meanings that can be found also in the rules and legislation of countries in the world. Examples are the Commercial Act of the United States Section 7216 and Law no. 99/2007 on Public Accountants in Japan. Section 7216 reads: In this section, the term "foreign public accounting firm" means a public accounting firm that is organized and operates under the laws of a foreign government or political subdivision thereof. Some of the above KAPA / OAA terminologies have a similarity, ie a foreign business entity or a group of business entities licensed by their country to engage in business activities in the accounting profession profession in other countries, especially in the field of audit services to historical financial information. So it can not be separated from different factors from one country to another. Factors that can come from a macro environment, international or global, and can also arise from the micro enterprise environment. But in general, the KAPA / OAA that is expanding, surviving and controlling markets in a country is driven by the existing shortcomings in the country. The development of accounting as a system and technique, and as a profession depends on various factors, both internally and externally from a country. These factors arise from different areas of life such as social, economic, political, legal or regulatory changes, international relations, culture, technology, and various other factors (Burchell et al., 1980; Violet, 1983; Gray, 1988, Watts & Zimmerman, 1986; Sukoharsono, 1995; Rosser, 1999; Wyatt, 2004; Irmawan, 2010; Irmawan et al., 2013; Rodrigues et al., 2011; and Shareia, 2014). These factors in international relations can be a factor driving the entry of foreign accounting firms in a country, not least in Indonesia. In the study of accounting development, the existence of a foreign public accounting firms is macro initially caused by colonialization and imperialism, and is now integrated with the current globalization (Irmawan, 2013; Bui, 2011; Irmawan, 2010; and Sukoharsono, 1995) expansion of capitalism 'in the terminology of Karl Mark (Ismail and Kamal Bashar, 2012)

or in terms of Sauddaby et al. (2007) is known as 'global expansion' and 'management of capitalism', or in terms of main stream known as globalization (Irmawan, 2010). The mastery of the market in the capitalist system according to Karl Mark led to social class struggle (Ismail and Kamal Bashar, 2012). Mark Theory further explains that the expansion of global capitalism is the strongest argument that can provide explanations and understanding of the development of the accounting profession in the world. The theory explains that the emergence of the accounting profession merges with imperialism and globalization as part of the process of expansion of global capitalism (Gillis, 2011 and Irmawan, 2010), or in terms of Sauddaby et al. (2007) is known as 'global expansion and management of capitalism'.

The market structure is a market condition that provides guidance on the aspects that have an important influence on business behavior and market performance, including the number of sellers and buyers, barriers to entry and exit markets, product diversity, distribution systems and market share dominance (Pracoyo and Antyo Pracoyo, 2006: 188). The market structure describes the character of a market, whether it is perfect competition, monopolistic, oligopoly, or monopoly. Referring to the SCP paradigm, this market structure will affect corporate behavior in the market and then influence performance the company concerned. Thus, the market structure will affect the firm's performance in the market. In the professional service market of public accountants there are buyers and sellers of services that form a market structure that has its own characteristics. Buyers of accounting services are companies that require the services of the public accounting profession, whether in the preparation of financial statements, taxation, business consulting, management and tax, or public accountant examination. As for the seller of accounting profession services are the accountant service providers called "Public Accountant" or "Accountant". Professional public accountants are incorporated in a professional institution called a public accounting firm (KAP). KAP provide professionals who work together in public accountant services. Thus the market structure of public accountant profession services is a description of the number of clients who need accounting services and KAPs that meet the needs of clients to form a portrait of client interaction and KAP. KAP is assessed or perceived as a quality accounting services agency will obtain clients and income very much. On the other hand, a perceived KAP that is less or less qualified will account for less revenue from fewer clients. Big Four as a foreign corporate corporation entity in collaboration with KAP is still dominating earnings globally (Big Four, 2015). That is, the global market structure is controlled by them so that other KAPs are less able to compete. And until now not many countries are trying to mengkonter Big Four hegemony except China (Gillis, 2011). Other countries still allow the services of the public accounting profession to be in a very uncontrolled competition.

III. Research Design

Object of this research is the development of foreign public accountant firm, and its determinants and consequences on accounting in Indonesia. Data sources gathered from unstructured interviews with Ministry of Finance of Republic Indonesia officers, the Indonesian Public Accountant Institute, public accountant, and Indonesian Commission of Supervision of Enterprise Competition; documentation of foreign public accountants in Indonesia; and direct observation. The variability and richness data sources is intended to achieve validity and reliability data gathered. Data analyzed by textual analysis on research documents, such as the history of public accountant profession and the development of accounting in Indonesia, and document of the result interviews and observation. The focus in the analysis of the development of foreign public accountant, its determinants and consequences in accounting development.

IV. Discussion

4.1 The Development of Foreign Public Accountant Firms

Foreign accounting firms or KAPA / OAA are historically traceable from the Dutch colonial period. Discussing the history of foreign accounting firms in Indonesia can not be separated from the development of accounting since the Dutch colonial era that pioneered the dynamics of the existence of the office for the accounting problem, which was established by the Government and the Private. Both terms were in those days managed by the Dutch. This is due to the early independence of Indonesia there is no accounting firm led by the people of Indonesia. And that time also Indonesia accountant can still be counted by finger (Hadibroto, 1975). Therefore, the history of the development of foreign accounting firm can not be separated from the history of accounting development of the Dutch colonial period, which is around the 17th century (ADB, 2003) or circa 1642 (Soemarso, 1995). Even according to Sukoharsono (1995), long before the colonial period, that is in the days of Hindu, Buddhist and Islamic kingdoms, that field has been practiced. Accounting practices in the royal period were largely carried out in trade transactions, and during the colonial period were used as controls for the trading and administrative activities of their colonies. The embryo of the birth of modern accounting activities can be traced back to the end of the sixteenth century when four sailors of Amsterdam as the first Dutch businessman who came to dock in Banten (1596) (Sukoharsono, 1995: 148). And accounting was introduced in 1609, with the establishment of the Dutch accounting office in Bantam by the First Dutch Governor General of

Indonesia, Pieter Both. The office is used to control financial activities and public interests (Sukoharsono & Gaffikin, 1993). Its existence grew in the hands of Governor-General Jan Peter Choen, known as the bookkeeper-general, responsible for presenting a comprehensive financial reporting of all company activities (Sukoharsono, 1995: 168).

Accounting examination work was introduced in Indonesia in 1907 through the auditing function (compiling and controlling the company's books). The first person to carry out the audit work in Indonesia is Van Schagen. The profession is needed because of the increase in economic activity that encourages the emergence of demand for the services of accountants and trained bookmakers. The market opportunity was eventually taken by Dutch and British accountants who entered Indonesia to assist administrative activities in textile and manufacturing companies (Yunus, 1990). Frese and Hogeweg were the first public accountants to establish an office in Indonesia in 1918. The establishment of this office was followed by another accounting firm, H.J. Voorns in 1920, and the establishment of the Tax Accounting Administration (Belasting Accountant Dienst) (Soemarso, 1995). The extent of Dutch colonial influence resulted in the development of public accountant in early independence is a continuation episode of the history of the Dutch public accountant (Hadibroto, 1975: 114). In the colonial period only the Dutch Public Accountant was dominant, enduring and growing long ago, since its first establishment in 1918 until 1958 (Table 2.4). In that time span the number of Public Accounting Firm increased and spread to various areas other than in Jakarta, namely Bandung, Medan, Surabaya, Semarang, Malang and Makassar (Tuanakotta, 2007: 312-313). Until the early period of government after independence the accounting firm owned and led by the Indonesian nation is still small. The public accountant has not become a promising profession. Though its role is needed for corporate governance. This is evidenced from the history of the Dutch colonial period that has been using the services of accountants, both government and the public to help the company. Even long before Indonesia JP. Coen is a VOC governor who is very concerned about accounting so called General Accounting (Sukoharsono, 1995). The policies of the Old Order Government (Orla) with closed-door economic policies, severance of relations with international agencies including the United Nations and International Monetary Fund, confrontation with Malaysia and the liberation of West Irian had an impact on the nation's economy. As a result of various policies that inflation reached 600 percent. With that situation the impact is not only the Dutch KAP left Indonesia, but accounting has no utility value (Tuanakotta, 2007). See the Table 4.1. in the Deutch Public Accountan in Indonesia during year 1954-1958.

The government moved from the Old Order to the New Order, policies also changed. The New Order embraced a very diametrically different policy. The policy was marked by the restoration of relations with neighboring countries involved in the confrontation. Relations with international agencies that had been decided by the previous administration were also restored. In the field of economy, opened investment faucets through investment, both domestic and abroad, with the issuance of Law (UU) no. 1 Year 1967 concerning Foreign Investment (PMA), which is currently regulated through Law no. 25/2007 on PMA; and Law no. 6 Year 1968 on Domestic Investment (PMDN). Another policy is to renew broken relationships with international institutions, tax reform, and revive capital markets (Tuanakotta, 2007: 319).

Table 4.1. Dutch Accounting Firm in Indonesia. 1954-1958

Year	Firm Names	Operation City/Place
1954	1. Namink 2. Van Dien, Van Uden & CO. 3. Cudshoff en Besancon 4. Frese & Hogeweg 5. J. Walta 6. Frijer en De Han	Jakarta, Bandung, Makassar Jakarta Jakarta, Medan, Surabaya Jakarta, Bandung, Medan, Semarang, Surabaya Jakarta
1955	1. Koppenberg, Konig & Swart 2. Van Dien, Van Uden & CO. 3. Cudshoff en Besancon 4. Frese & Hogeweg 5. J. Walta 6. Frijer en De Han	Jakarta, Bandung, Makassar Jakarta Jakarta, Medan, Surabaya Jakarta, Bandung, Medan, Semarang, Surabaya Jakarta
1956	1. Koppenberg, Konig & Swart 2. Van Dien, Van Uden & CO. 3. Cudshoff en Besancon 4. Frese & Hogeweg 5. J. Walta 6. Bakkenist, Spits & Co.	Jakarta, Bandung, Makassar Jakarta Jakarta, Medan, Surabaya Jakarta, Bandung, Medan, Semarang, Surabaya Jakarta
1957	1. Cudshoff en Besancon 2. Frese & Hogeweg 3. J. Walta 4. Bakkenist, Spits & Co.	Jakarta, Medan, Surabaya Jakarta, Bandung, Medan, Semarang, Surabaya Jakarta
1958	1. Frese & Hogeweg 2. J. Walta	Jakarta Jakarta

Source: Tuanakotta, Theodorus M. (2010). *Setengah Abad Profesi Akuntansi*, Jakarta: Penerbit Salemba Empat, pp. 313.

In addition to encouraging investment through PMA and PMDN, the capital market was also revived by the New Order Government. The legal basis for reactivating the capital market is the Decree of the President Number 52 Year 1976 regarding Capital Market and its technical regulations in the form of Decree of the Minister of Finance of the Republic of Indonesia No. 859 / KMK.01 / 1987 on Securities Issuance, and lastly regulated through Law no. 8 of 1995 concerning Capital Market. Among the rules explicitly stating the role of public accountants in the Capital Market is Article 86 paragraph 1a of Capital Market Law No 8/1995 requires issuers or public companies to provide periodic reports to Bapepam and the public. The periodic reports in question are regular information on the business activities and financial circumstances of issuers or public companies. Reports pertaining to the financial circumstances published annually shall be subject to the opinion of the public auditor, in this case the public accounting firm (KAP). The rapid growth of Indonesia's capital market for KAP is a blessing. The growing capital market will attract many companies to enter the stock. This means the larger the potential market that can become a client of KAP. In the last decade, the national capital market managed to record an astonishing performance. During this period, the total issuance of stocks and corporate bonds has doubled from Rp 263 trillion in 2001 to Rp 539.71 trillion at the beginning of November 2011. Since the beginning of the history of the Indonesian capital market to date, there have been 537 issuers performing emission of shares and 196 issuers that issue bonds (Stabilitas, Edisi Jumat 16 Desember 2011).

The logical consequence of the policies and actions of the New Order Government above is the entry of foreign accountants (Tuanakotta, 2007: 319). The new government policy has an effect on the strengthening of KAPA / OAA in Indonesia up to now. Even in the process of healing Indonesia during a multi-dimensional crisis, international agencies set the requirements of KAPA / OAA especially the Big Four to audit problem banks. The appointment of such an international institution may be considered a privilege for the offices of foreign accountants (Tuanakotta, 2007). The beginning of the New Order for the existence of KAPA for the first time is arranged through cooperation in the form of joint partnership with local KAP. Finance Minister Frans Seda granted permission to Accounting Firm Santoso Harsokusumo to establish a joint partnership with Arthur Young from the United States in November 1967. And in May 1968, the Utomo Accounting Firm Josodirdjo got permission to establish a joint partnership with SyCip, Gorres, Velayo & Co. from the Philippines. The two accounting firms that entered into the partnership were then known for their combined foreign and Indonesian names, Arthur Young & Santoso Harsokusumo and SyCip, Gorres, Velayo, & Utomo. The government allows such cooperation to enable international KAPs to support accountant training and professional development (Tuanakotta, 2007: 319; and ADB, 2003: 49). Due to the impact of the joint partnership on the development of the Indonesian accountant, and to protect the accountant from the threat of the national private accounting firm (the term for the accounting firm in collaboration with KAPA), the Minister of Finance shall issue the Minister of Finance Decree No. KMK no. 76 of 1971 dated February 8, 1971. In August 1971, the new Minister of Finance, Prof. Dr. Ali Wardhana revoked the joint partnership permit granted to the two joint accounting firms above. This is because both the national private accounting firms are unable to comply with the provisions of Article 2 of KMK. 76 Year 1971 on the principle of reciprocity.

To comply with the new regulations, the two national private accounting firms changed the form of cooperation from joint partnership to correspondent. There are six KAPAs that have correspondence relations with KAP Indonesia between 1971-1975 (ADB, 2003: 49). Changes in the form of cooperation from joint partnership to correspondent do not change the substance of cooperation. Therefore, the space for foreign accountants in Indonesia still very freely. In the end, although KMK no. 76/1971 was replaced by the issuance of KMK No. 1681 of 1976 the position of international KAP did not falter, even stronger because it was supported by its international clients. The intended clients are foreign investors who invest their capital in Indonesia at the beginning of the New Order. Especially after the enactment of the Foreign Investment Law of 1972, international clients from KAPA / OAA also invested. The growth of foreign accountants is getting higher because actually they are choosing and appointing KAP Indonesia to represent their existence in Indonesia. The Indonesian KAP representing the presence of KAPA / OAA, especially the Big Four in Indonesia has virtually no choice but to follow global policies including quality control. One of the proofs is the requirement of KAPA / OAA which has correspondence relationship with KAP in auditing financial report of BUMN Indonesia applying credit to international financial institutions between 1970-1980. The BUMN companies include Bapindo, Bank Dagang Negara (BDN), and Bank Bumi Daya (BBD), Pupuk Sriwijaya (Pusri) and Krakatau Steel (Tuanakotta, 2007: 326). From the above historical trajectory can be seen about their growth and development from year to year. In Table 4.2. can be seen the growth of foreign accountants and KAPA from the early days of the New Order until 1980.

KAPA / OAA especially the Big Four which cooperated with KAP between the 1970s and 1990s, as follows:

1. Go Tie Siem with Turquand Young (1971) and Klojnveld, Kraijenhof & Co. (since 1974)
2. Tan Eng Oen with Price Waterhouse (1971)

3. Sudomo & Co with Peat Marwick Mitchell & Co. (1977-1987)
4. Soedjendro & Co with Peat Marwick Mitchell & Co. (1972-1977)
5. Suparman with Coopers & Lybrand (1971-1979)
6. Doli Lelo Pamintori Siregar & Co with Coopers & Lybrand (December 1980-October 1987)
7. Hendra Darmawan & Co with Touche Ross International (1975-1991)
8. Hanadi Raharja & Co with Klynveld Main Goerdeler (1985-1987)
9. Hans Kartikahadi & Co with Deloitte Haskins & Sells (1980-1990) (Tuanakotta, 2007: 326).

In 2007 KAPA / OAA amounted to 35 pieces, spread over second-tier firm and third tier firm. And by the end of 2016, less than a decade the number of KAPA / OAA increases by almost 100 percent, or 62 units, consisting of four Big Four units, and 58 second and third-tier firms (PPPK Kemenkeu RI, 2016). The growth was very high compared to the early existence of KAPA / OAA in 1960, 2 units; 1980, 7 units; 40 units in 2007; 51 units in 2014 (Tuanakotta, 2007); and 62 Unit KAPA / OAA in November 2016 (P2PK, 2016). And the KAP that works with foreigners will increase along with the economic and financial growth in the future.

Table 4.2. Foreign Accountant in Indonesia between 1968-1980

Year	Public Accountant Firm of								Total
	AY	C&L	JP	KK	PMM	PW	SGV	TR	
1968	1	-	-	-	-	-	3	-	4
1969	1	-	-	-	-	-	6	-	7
1970	1	-	-	-	-	-	14	-	16
1971	2	1	-	-	-	2	17	-	22
1972	2	2	-	-	-	4	15	-	24
1973	2	2	-	-	-	8	18	-	33
1974	5	3	-	1	1	7	23	1	43
1975	22	4	-	1	1	9	26	1	68
1976	42	6	1	2	2	18	20	1	94
1977	5	4	1	2	2	9	20	2	47
1978	4	5	-	3	3	11	19	-	47
1979	4	6	-	3	3	12	15	2	45
1980	4	4	-	2	3	7	14	-	34

Source: Tuanakotta (2007: 328)

4.2 Information

1. The table does not reflect the total number of foreign accountants working in Indonesia because some work without DGPKN permission.
2. Meaning abbreviations: AY (Arthur Young & Co); C & L (Coopers & Lybrand); JP (Jordan Pulumahunij, an Indonesian accountant who does not represent one of the overseas accounting firms); KK (Klijneveld Kraijenhof); PMM (Peat Marwick, Mitchell & Co.); PW (Price Waterhouse); SGV (SyCip, Gorres, Velayo & Co); TR (Touche Ross).
3. AY, including foreign accountants for Pertamina of 16 and 38 persons, respectively in 1975 and 1976. PMM, including 2 persons for Pertamina in 1975; 5 people to Krakatau Steel in 1976 and 2 for Pusri in 1976.

4.2. Determinants of Foreign Public Accountant

The existence of the accounting profession has existed since the Dutch colonial period and existed until the late 1950s during the era of the Old Order (Orla), when the nationalization policy of foreign companies was introduced. During the New Order government KAPA / OAA that comes from other countries, such as Arthur Young from the United States. Operational KAPA / OAA is recognized by the state and regulated in the rules and legislation governing the profession of public accountants. KAPA / OAA in Indonesia are grouped into Big Four and Non Big Four. The Big Four is a naming term for the global KAPA / OAA group of four units, comprising PriceWaterhouseCoopers Inrernational Limited; KPMG International Cooperative; Ernst & Young Global Limited; and Deloitte Touche Tohmatsu Limited (Ministry of Finance Republic of Indonesia, 2016). The number of KAPA / OAA according to the latest data released P2PK Ministry of Finance RI amounted to 62 units. The number of KAPA / OAA has increased significantly in the last decade (2007-2016), which is more than 50 percent. Of the 40 KAPA / OAA working with KAP as of July 2007, it increased to 62 per November 2016 (Tuankotta, 2007 and P2PK of the Ministry of Finance, 2016). The number is likely to increase along with economic, financial and social and political stability and the demands of globalization. But to know the cause of existence of KAPA / OAA or Big Four and their control over service market of public accountant profession can be traced from history of development of foreign accounting firm and KAP motivation in cooperation with KAPA / OAA.

From the history of the development of foreign accounting office in Indonesia obtained historical information that at the beginning of independence Indonesia foreign accounting firm that worked by accountants from the Netherlands as occupation. Until the late 1950s KAP was still owned and controlled by Dutch accountants. Their existence in Indonesia is of course caused by their country that colonized Indonesia. Thus colonialism and imperialism (traditional) became the only factor for the existence and control of the Dutch KAP over the accounting services market in Indonesia. Colonialism and imperialism are traditionally defined as a form of state control over the territory, social, political, economic, law and culture of other countries. Modern colonial style that is the current shape is done indirectly to other countries. Colonialism and imperialism today are changing and known as the expansion of capitalism, the management of global expansionism capitalism (Bousebaa, 2015; Ismail and Kamal Bashar, 2012; and Sauddaby et al., 2007). Some of these terms are now framing in the terminology of globalization (Irmawan, 2010). In the history of the public accounting profession since the Dutch East Indies until the New Order Government political factors became the driving force for the existence of KAPA / OAA. But in its development along with the dynamics of national and state life various interacting factors, not limited to political factors. And historically, accounting development in Indonesia is influenced by various other factors, such as economics, finance, capital market, and social, which are always in tandem and interdependence (Tuanakotta, 2007; Sukoharsono, 1995; Sukorharsono and Gaffikin, 1993). At the time of the Old Order (Orla) KAPA / OAA did not experience growth, even out of Indonesia as a result of various policies issued by the Government. The nationalization policies of foreign companies, termination of cooperation with international institutions such as the United Nations (UN) and the International Monetary Fund (IMF), the liberation of West Irian and the Confrontation with Malaysia are some of these policies. The impact is on economic and financial situation and condition, one of which is inflation reaching 600 percent so that financial report has no meaning (Tuanakotta, 2007: 316).

National political change with the transition of power from the Old Order Government to the New Order affects other aspects of life. Recovery of relationships with international institutions, open economic policies marked by the opening of investment taps through PMA and PMN, and the re-opening of capital markets are some of the policies created by the New Order Government. The policy initiated by the Government succeeded in attracting capital inflows from both domestic and foreign investors. Along with the success of the Government, accountants are also much needed. The KAP that works with KAPA / OAA, especially Big Eight or currently the Big Four, goes to Indonesia, and gets a lot of work from investor clients. It is evident that the economic factors, especially the capital being the main determinant for the development of public accountants are no exception KAPA / OAA, as which are also found in China and the UK (Gillis, 2011 dan English Parliament, 2010). The reopening of capital markets adds to the demand for accounting services. Until now the capital market has been integrated globally so that more and more public accounting profession is needed. All companies wishing to register themselves on the stock exchange are subject to the obligation to include audited financial statements. In addition, the public accounting firm also has a role in the Initial Public Offering (IPO) process. With the advancing of the capital market, the professional service industry market of public accountants is growing. Public accounting profession continues to grow along with the development of business world and capital market in Indonesia. Nevertheless, there are still many criticisms made by entrepreneurs and academics. However, the existence of the accounting profession remains recognized by the government as a profession of public trust. In addition to the support from the government, the development of the public accounting profession is also largely determined by the economic development and public awareness of the benefits of public accountant services. Several factors that are considered to encourage the development of the profession are: 1. The growth of capital markets 2. The rapid growth of financial institutions both banks and non-banks 3. The existence of IAI cooperation with the Director General of Taxes in order to emphasize the role of public accountants in the implementation of tax laws in Indonesia. The development of foreign investment and the globalization of economic activities. In early 1992 the public accountant profession was again given the trust by the government (Directorate General of Taxes) to verify the payment of VAT and PPn BM conducted by taxable entrepreneurs. In line with the development of the business world, Olson in 1979 in *Accountancy Journal* (Harahap, 2011) suggests four developments that must be considered by the accounting profession are: 1. Increasing number of types and amount of information available to the community 2. Better transport and communication 3. More awareness of the need for better quality of life 4. The growth of multinational corporations as a result of the first and second phenomena. Factors that require the foreign Big Five accountant office is to help international donors to provide advice for crisis recovery. Similarly, it was experienced by Indonesia when requesting IMF assistance to resolve the financial crisis in 1998 (Tuanakotta, 2010). At that time the New Order government still controlled the country, but because of the crisis hit Indonesia there was a transition of national leadership. The transition of power from the New Order regime to the Reform Order regime was dramatic. The transition of government was preceded by the financial crisis that hit the countries of Asia (East) in July 1997. The crisis caused panic even the world economy will collapse due to financial contagion. The crisis started in Thailand (known as the Tom Yam Gung crisis in Thailand, Thai: วิกฤตต้มยำกุ้ง) as

the fall of the baht currency after the Thai government was forced to float the baht because at least foreign exchange could keep its anchor to the US dollar. At that time, Thailand borne the huge burden of foreign debt to the extent that this country could be declared bankrupt before the value of its currency fell (https://en.wikipedia.org/wiki/Krisis_finansial_Asia_1997). When this crisis spread, the value of the currency in part major Southeast Asia and Japan came down (www.euromoney.com), stock exchanges and other asset values fell, and private debt rose dramatically. Indonesia, South Korea and Thailand are the countries worst affected by the crisis. The foreign debt-GDP ratio rose from 100% to 167% in the four ASEAN countries in 1993-96, then jumped by 180% in the worst period of the crisis. In South Korea, the ratio rose from 13% to 21%, then peaked at 40% (ADB, 2003). The International Monetary Fund (IMF) has stepped in a \$ 40 billion program to stabilize the currencies of South Korea, Thailand and Indonesia, countries badly affected in the crisis. Efforts to prevent the global economic crisis failed to stabilize the domestic situation in Indonesia. Rupiah inflation and a substantial increase in the prices of foodstuffs cause chaos in Indonesia. In February 1998, President Suharto dismissed the Governor of Bank Indonesia, Sudrajat Djiwandono. Finally, President Suharto was forced to resign on 21 May 1998 after 30 years in power under mass pressure protesting sharp price increases due to the devaluation of the rupiah and B.J. Habibie was appointed president. As a result of the 1997 Asian financial crisis, the rupiah fell deeply. The IMF came with a \$ 23 billion aid package, but the rupiah fell deeper due to fears of corporate debt, rupiah sales, strong dollar demand. Rupiah and Jakarta Stock Exchange touched the lowest ducks in September. Moody's downgraded Indonesia's long-term debt to "junk bond" (Wikipedia). The crisis healing process involved many KAPA / OAA, especially the Big Four. The KAPA / OAA plays a very strategic role in the process.

The role is related to the 'treatment' (policy matrix) crisis conducted by the IMF / World Bank. Banking sanitation recipes are the beginning of what is known as the agreed-upon due diligence process (ADDP). The entire work involves only Big Six (the group name before it is reduced to four accounting firms, not KAP representing them except Deloitte & Touche on the advice of Theodrus M. Tuanakotta in conducting due diligence in the banking industry (Tuanakotta, 2007: 332; and Tuanakotta, 2010 : 14). In addition to the macro factors described above, the existence of KAP / KAPA / OAA cooperation is driven by various factors that arise from within the KAP. In addition, today KAP and KAPA / OAA cooperation is (Purba, 2015: 6), and its growth is almost one hundred percent in the last decade (MoF RI, 2016). The rise of cooperation is preceded by various backgrounds or motivations, but at least the motivation of cooperation is preceded by the desire of the stakeholders the interests of the public accountant profession to be able to keep the public interest (public interest), it is recognized by the KAP affiliated with PwC, one of the members of the Big Four group "... Benefits as a member of the global network in order to maintain the best possible audit quality that can provide the best possible service to the company or service and keep the public interest. So, the task of the public accounting firm is to keep the public interest as good as possible so that. The public that invests its money in the capital market, which invests its money in the bank, and who invests the money through various types of securities sold. In order to get the right information. If there is no qualified public accounting firm, the public interest is disrupted because it may have to assure the company's value on investment. "(Interview with partner from PwC) In addition to keeping the public interest, other motivation is the mission of giving best for Indonesia through cooperation with the Big Four through development of human and technological resources, and has a very clear vision and mission to safeguard public interest. "His motivation is to want to do best for Indonesia. If we do not work with a quality global network (PwC), it's a bit difficult. Because we are difficult to maintain the quality of human resources or human capital resources. So until now, IT development is still using from outside. And through global network we have methodology, have start operating position, have management, have vision and mission very clear and very clear to keep public interest. The job becomes directed and highly qualified. "(Interview with partner from PwC). KAP affiliated motivation with the Big Four is above parallel to the needs of its service users. The background of the respondent from the Big Four client in using the services of his accounting office is to safeguard the public interest of the company's shareholders. Clients from SOEs also respond with the same answer because although it is a red plate company but is involved in investment activities and international capital markets that require audit services from global corporation, Big Four, proven quality and competence in providing its insurance services (Interview with Big Four). Other clients do not emphasize Big Four terms but only with KAPA / OAA. So that condition from the perspective of the KAP affiliated with the Non-Big Four judged from the pragmatic side of the market needs. Not from the standpoint of prestige or the prestige of the Big Four. This can be seen from the example of procurement audit services at PT Adhi Karya. Examples of terms of reference (TOR) for the provision of audit services of PT Adhi Karya (Persero) for the Fiscal Year 2016 which reads: "3) Affiliated with KAPA or OAA must apply for a signing partner and partner in charge registered with the Financial Services Authority (OJK). "When confirmed to the Government on the above matter, the state submits fully to the will of the users and the provider of the audit, and the answer remains normative." The service provider KAP has different standards, specifications, qualifications and facilities between KAP others. It is related to service users who also have different needs

between service users with each other. Therefore, the market share of the audit is handed back to the needs of service users and the competence of auditors and each KAP. "(Results of interview with P2PK Ministry of Finance RI.) From the description of the causes from the presence of KAPA / OAA especially the Big Four is divided into two scopes that are macro and micro. Macro concerning the situation and conditions that include politics and economics, such as colonialism, imperialism, and politics with the turn of the government regime that changes economic and financial policies such as investment and capital markets and change relations with international institutions. The cause of the foreign office of a foreign accountant is a different motivation of cooperation between KAPA / OAA divided by Big Four and Non Big Four. In general, the motivation is in the form of keeping the public interest that guides the importance of cooperation with KAPA / OAA. Public interest is a collaborative ideology that affects quality audit services as a result of improvements in science and technology, mission and strong vision and high competence held by the Big Four. Pragmatic motivation also leads to cooperation, especially among the non-Big Four who berikitan with meet the demands of clients in TOR Procurement Tender Services Audit, increasing the number of clients and increase revenue KAP.

4.3. The Cosequencies of Foreign Public Accountants

The purpose of the consequences in this section is the result or consequence of the existence of KAP and KAPA / OAA cooperation in Indonesia. Cooperation has consequences for the accounting profession whether directly or indirectly. Consequences are felt in the areas of science and technology audit, audit quality, income or welfare and institutional. The immediate effect can be seen from the end result of the audit work. The quality of accounting inspection is very qualified thereby increasing the credibility of financial statements in front of clients. And the important consequence is the maintenance of the public interest. Other benefits not directly obtained by KAP-KAP in collaboration with KAPA / OAA with improvements in accounting, auditing and taxation science and technology. Because of frequent control of standards and quality is maintained by international companies. And often international KAP partners are experiencing a tour of duty to other countries in order to have a lot of experience and varied about issues related to the profession (Gillis, 2011). Thus the quality of the audit is driven by quality control practices and the transfer of science and technology and the placement of local partners in countries where there is the Big Four.

In fact, the existence of Big Four in Indonesia is very influential, especially on improving the quality of accounting and auditing. This is in line with the initial intention of the government to allow cooperation between KAP and KAPA / OAA to help improve the quality of accounting and auditing in Indonesia (Tuanakotta, 2007). The local KAP that cooperates with the corporation of global accountants directly share knowledge and information to the professional colleagues in Indonesia in various series of activities, such as work sshop, seminar, preparation of accounting and auditing standards and so forth. The government also always calls them if they find problems related to accounting and auditing. Therefore its existence is very important for improving the quality of accounting (Results of interviews with one member of Big Four). In addition, in the field of labor, the Big Four absorb a lot of manpower from Indonesia. From the existing data the Big Four has 25 percent of the total 12,533 employees in 2013 (MoF RI, 2015). However, the Big Four affiliated KAP also values and complies with employment law. The existence of KAP and KAPA / OAA cooperation enhances their welfare. Because it is driven by the number and qualifications of different clients of the Firm that do not cooperate with foreigners. Big Four as a global accounting corporation has many global client networks that become affiliated KAP clients in Indonesia. The existence of the client can increase their income. So they can enjoy increasing revenue over time as part of one member of the global network.

The impact is that the Big Four earnings definitely dominate the market structure of professional services of public accountants. This can be proven from the income data of 2013. Income recorded by small, medium and large KAPs that do not cooperate with KAPA / OAA only account for 15-20 percent of the total revenues of the professional services industry of public accountants. The largest portion of 60-80 percent is accounted for by the Big Four. The situation and conditions last a long time, without any change (Ministry of Finance RI, 2015, and Keliat et al., 2013). But in reality, the cooperation contract is not necessarily able to improve the quality as expected. In international cooperation it is known two dominant forms of contract, namely correspondent and cooperation (Gillis, 2011). Companies that are small and have few international clients have correspondent-wide collaboration. But the big companies and already have many international clients tend to take the contract of cooperation as a relationship keperdataan. Because this contract form will give a positive influence on the domestic KAP company in improving science and knowledge as well as accounting and auditing technology.

V. Conclusion

Historically the existence of KAPA / OAA foreign accounting firm in Indonesia has existed since colonial and imperialism until now (2017). Even the Dutch accounting firms (ADB, 2003, Sukoharsono, 1995 and Soemarso, 1995) existed beyond the period of Independence of the Republic of Indonesia and ended in the

reign of the Old Order regime (Orla). The Dutch accounting firm at that time controlled the professional service market due to the support of the colonial government, and remained professionally for more than a decade because the accountant who came from the natives could be counted on the fingers. Orla's time the Dutch accountant's office left Indonesia due to various government policies, such as the nationalization of foreign companies. Foreign accounting firms began operating in Indonesia at the beginning of the New Order (Orba) government with an open economic policy in which domestic capital investment (PMA) and foreign investment regulations (PMA) were issued. In addition, the reopening of capital markets increases the need for accountants. And foreign investors bring their accountants so that the Indonesian accounting firm is an extension of their hands. Since the 1960s the existence of foreign accounting firms in Indonesia is legally required through cooperation with the existing KAPs in Indonesia. The cooperation is regulated through the Decree of the Minister of Finance until the issuance of Law no. 5/2011 on Public Accountants. The development of KAPA / OAA in the last decade has grown rapidly, more than 50 percent, or 42 KAPA / OAA in 2007 to 63 in November 2016 (Ministry of Finance, 2016). Even that number will increase due to good economic and financial performance and political stability and security that is conducive and meet market demand. Not only in terms of quantity, the income is also increased. Greater earnings posted by the Big Four above 60 percent have even exceeded 80 percent of total industry revenues (MoF, 2015 and Keliat et al., 2013). The benefits of cooperation are felt by the KAP in collaboration with KAPA, in addition to increased revenue performance, the quality of professional work also participate experienced willingness (interview). The existence and development of KAPA / OAA in general and Big Four in particular in Indonesia is caused by various factors. The early periods of Indonesian independence history of the existence of foreign accounting firms were caused by the legacy of Dutch colonialism and imperialism (Irmawan, 2010; ADB, 2003; and Sukoharsono, 1995). In its development its existence is driven by investment and capital market factors (Tuanakotta, 2007) as Gillis finds (2010) on the Big Four hegemony in China. The existence of cooperation gives birth to the implications or consequences on the accounting profession which includes the transfer of science and technology audit, improvement of audit quality, increase of income or welfare and improvement in professional institutional field (interview result). But on the aspect of income has been occurring very wide gap between Big Four with other KAPs. It resulted in the position of government as the executor of the state is questioned in carrying out its constitutional obligations in providing protection and justice so that it can be realized welfare for the profession of public accountant as a whole.

VI. Implication

The research has implications for all stakeholders of profession in improving and strengthening the position and quality of member or regulation to face the global competition in the market. For the researcher in this topic to come need to close the limitations that exist in this research.

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